

AMENDED IN ASSEMBLY APRIL 29, 2014

AMENDED IN ASSEMBLY APRIL 10, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1804

Introduced by Assembly Member Perea

February 18, 2014

An act to add Section 396 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1804, as amended, Perea. Insurance: notice of lapse.

Existing law requires an insurance policy to specify certain information, including, but not limited to, the parties to the contract, the property or life insured, the risks insured against, the premium, and the coverage period.

This bill, commencing July 1, 2015, would prohibit an individual insurance policy covering real property, personal property, as described, liability, or health, issued or renewed on or after July 1, 2015, from being issued until the applicant has been given the right to designate ~~at least~~ one individual, in addition to the applicant, to receive the notice of lapse, termination, expiration, nonrenewal, or cancellation of the policy for nonpayment of the premium, as provided. The bill would prohibit an insurance policy from lapsing or being terminated for nonpayment of the premium unless the insurer, at least 10 days prior to the effective date of the lapse, termination, expiration, nonrenewal, or cancellation gives notice, as provided, to the insured and to the individual ~~or individuals~~ designated, if any, at the address provided by the insured for these purposes. *The bill would specify that an individual designated by a policyholder does not have any rights, whether as an*

additional insured or otherwise, to any benefits under the policy, other than the right to receive the notice of lapse, termination, expiration, nonrenewal, or cancellation.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 396 is added to the Insurance Code, to
2 read:

3 396. (a) An individual policy shall not be issued until the
4 applicant has been given the right to designate ~~at least one~~
5 individual, in addition to the applicant, to receive the notice of
6 lapse, termination, expiration, nonrenewal, or cancellation of a
7 policy for nonpayment of the premium. Upon application for
8 issuance of a policy, the insurer shall provide the applicant with
9 30 days to do one of the following:

10 (1) Designate in writing the name, address, and telephone
11 number of ~~at least one~~ individual, in addition to the applicant, who
12 is to receive the notice of lapse, termination, expiration,
13 nonrenewal, or cancellation for nonpayment of the premium.

14 (2) (A) Provide a written waiver signed and dated by the
15 applicant electing not to designate ~~additional persons~~ *an individual*
16 to receive the notice of lapse, termination, expiration, nonrenewal,
17 or cancellation for nonpayment of the premium.

18 (B) The required waiver shall read as follows:

19
20 “Protection Against Unintended Lapse, Termination, Expiration,
21 Nonrenewal, or Cancellation.

22 I understand that I have the right to designate ~~at least one~~ person
23 other than myself to receive the notice of lapse, termination,
24 expiration, nonrenewal, or cancellation of this insurance policy
25 for nonpayment of the premium. I understand that notice will be
26 given within 10 days after a premium is due and unpaid. I elect
27 not to designate any person to receive the notice.

28 Dated:____ Signature of Applicant:____”
29

30 (3) If after receiving notice from the insurer of the right to
31 designate ~~additional persons~~ *an individual* to receive the notice of
32 lapse, termination, expiration, nonrenewal, or cancellation for

1 nonpayment of the premium, the applicant fails to take action
2 pursuant to either paragraph (1) or paragraph (2) within 30 days,
3 the insured is deemed to have waived the right to designate ~~those~~
4 ~~additional persons~~ *a person*.

5 (b) Notwithstanding subparagraph (C) of paragraph (2) of
6 subdivision (a) of Section 791.13 or any other law, the insurer
7 shall retain and utilize as necessary the contact information
8 provided in the written designation for the lifetime of the policy,
9 and allow the insured to update the written designation if the
10 insured so requests.

11 (c) Not less than every two years, the insurer shall notify the
12 insured in writing of whichever of the following applies:

13 (1) If an insured has previously provided a written designation
14 pursuant to paragraph (1) of subdivision (a), the right to change
15 the prior written designation by adding or deleting ~~additional~~
16 ~~persons~~ *a person* to receive the notice of lapse, termination,
17 expiration, nonrenewal, or cancellation for nonpayment of the
18 premium.

19 (2) If the insured has previously waived the right to designate
20 ~~any persons~~ *a person* pursuant to paragraph (2) of subdivision (a),
21 to exercise the right to designate ~~additional persons~~ *a person* to
22 receive the notice of lapse, termination, expiration, nonrenewal,
23 or cancellation for nonpayment of the premium.

24 (d) When the insured pays the premium for an insurance policy
25 through a payroll or pension deduction plan, the requirements
26 contained in subdivision (a) need not be met until 60 days after
27 the insured is no longer on that deduction payment plan. The
28 application form for an insurance policy shall clearly indicate the
29 deduction payment plan selected by the applicant.

30 (e) An insurance policy shall not lapse or be terminated for
31 nonpayment of the premium unless the insurer, at least 10 days
32 prior to the effective date of the lapse, termination, expiration,
33 nonrenewal, or cancellation, gives notice to the insured and to the
34 ~~individual or individuals~~ designated pursuant to subdivision (a) at
35 the address provided by the insured for purposes of receiving the
36 notice of lapse, termination, expiration, nonrenewal, or cancellation
37 for nonpayment of the premium. Notice shall be given by first-class
38 United States mail, postage prepaid, within 10 days after the
39 premium is due and unpaid.

(f) This section applies to policies of insurance, other than workers' compensation insurance, on risks located or resident in this state that are issued and take effect or that are renewed after the effective date of this section and insuring any of the following contingencies:

(1) Loss of or damage to real property that is used predominantly for residential purposes and that consists of not more than four dwelling units.

(2) Loss of or damage to personal property in which natural persons resident in specifically described real property of the kind described in paragraph (1) have an insurable interest, except personal property used in the conduct of a commercial or industrial enterprise.

(3) Legal liability of a natural person or persons for loss of, damage to, or injury to, persons or property, but not including policies primarily insuring risks arising from the conduct of a commercial or industrial enterprise.

(4) Disability and health insurance as defined in Section 106.

(g) This section applies to policies that are issued and take effect or that are renewed on or after July 1, 2015.

(h) An individual designated by a policyholder pursuant to this section to receive the notice of lapse, termination, expiration, nonrenewal, or cancellation of the policy for nonpayment of the premium does not have any rights, whether as an additional insured or otherwise, to any benefits under the policy, other than the right to receive the notice as provided by this section.

~~(h)~~

(i) This section shall become effective on July 1, 2015.